



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 telephone

(801) 359-3940 fax

(801) 538-7223 TTY

www.nr.utah.gov

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

August 13, 2002

*Replaced
2/26/03*

TO: Mary Ann Wright, Associate Director *MAW*

THRU: Wayne Hedberg, Permit Supervisor *WH*

FROM: Lynn Kunzler, Senior Reclamation Specialist *LK*

RE: Request for Approval of Form and Amount of Transitional Reclamation Surety, Interpace Industries, Inc. Henefer Red Clay mine, M/043/014, Summit County, Utah

On January 17, 2002, the operator submitted his annual report and indicated that the acreage was 6.3 acres. Rather than reclaim, the operator proposed to permit the operation as a large mining operation. On February 25, 2002, the Division received the Notice of Intention for a Large Mining Operation (NOI), proposed to include 11.5 acres.

On May 8, 2002, a Division inspection found that the current disturbed area had already exceeded the proposed 11.5 acres identified in the NOI. A Notice of Non-Compliance was issued on May 29, 2002, which required the operator to revise the NOI to include all the current disturbance, and to post a transitional reclamation surety in the amount of \$63,300.00 until the review of the NOI is finalized. At that time, the surety may have to be adjusted either up or down and a final Reclamation Contract submitted.

The Division has now received the revised Notice of Intention to Commence Large Mining Operations, a Transitional Reclamation Contract and \$63,300 surety in the form of a Letter of Credit #STR19967 issued by Bank One. If you are in agreement with the acceptance of the transitional reclamation surety until review of the NOI is finalized, please sign and date the Transitional Reclamation Contract.

Thank you for your consideration of this request.

jb

Enclosure: MR-RC, Letter of Credit

O:\M043-Summit\m0430014-heneferrredclay\final\Dir-sign-mem.doc

*Approval per this memo
LKB 8-16*

FORM MR-TRC
RECLAMATION CONTRACT
(SMO - LMO transition)
(Revised April 17, 2001)

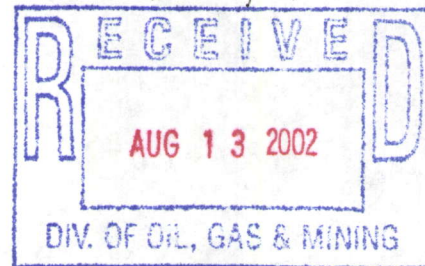
DOGM File Number M/043/014

Effective Date Aug 16. 2002

Other Agency File Number n/a

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

*Contract
Finalized - this
transitional now
replaced 2/26/03.*



TRANSITIONAL RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/043/014
(Mineral Mined) Fireclay

"MINE LOCATION":
(Name of Mine) Henefer Red Clay
(Description) Approximately 2.5 miles NE
of Henefer in Summit County

"DISTURBED AREA":
(Disturbed Acres) 12.65 acres
(Legal Description) (refer to "Attachment A")
(Topographic Map) ("Attachment C", disturbed area boundary)

"OPERATOR":
(Company or Name) Interpace Industries, Inc.
(Address) 736 W. Harrisville Rd.
Ogden, UT 84404
(Phone) (801) 782-7933

"OPERATOR'S REGISTERED AGENT":
(Name) Aaron Hancock
(Address) 736 W. Harrisville Rd.
Ogden, UT 84404
(Phone) (801) 782-7933

OPERATOR'S OFFICER(S)":

Jon J. Rhine - President

Charles C. Tabaracci - VP Finance

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY" (Name)

(Policy or Acct. No.)

Bank One

"SURETY AMOUNT":

\$63,300.00

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Interpace Industries, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division"). A Reclamation Contract is required under Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules.

WHEREAS, Operator has exceeded the approved five (5) acre threshold for a small mining operation, R647-3-113, and Operator desires to continue mining operations for an "interim" period of not more than 12 months, upon areas already disturbed totaling 12.65 acres. Within 90 days of the filing of this contract and reclamation surety, the operator agrees to file a complete Notice of Intention to Commence Large Mining Operations (Form MR-LMO) describing a detailed mining and reclamation plan for continued operations at this site. An approved Large Mining Notice of Intention must be in place at the end of a 12 month time period following Division receipt of this contract. Any extension of this filing time period will be in writing and at the sole discretion of the Division.

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division.

The approved form and amount of surety is attached hereto as Attachment B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Division in writing. If the form of surety expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the surety, the Operator shall provide a replacement surety in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement surety, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.

3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules including but not limited to, the previously accepted Small Mining Notice, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies 1) that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, and the previously accepted Small Mining Notice, as amended, or 2) until a mining and reclamation plan for a large mining operation has been approved by the Division and the final Reclamation Contract and surety are in place.
6. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
7. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State of Utah, and is in addition to any other rights and authorities the Division and Board have to seek relief from the Operator.
9. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.

10. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an Order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an Order to revoke the Small Mining Notice of Intention, order reclamation, or order forfeiture of the surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract including the Small Mining Notice of Intention, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Interpace Industries, Inc.
Operator Name

By Charles C. Tabaracci
Authorized Officer (Typed or Printed)

Vice President Finance
Authorized Officer - Position

[Signature]
Officer's Signature

8/8/2002
Date

STATE OF Utah)
) ss:
COUNTY OF Weber)

On the 8th day of August, 20 02, Charles C. Tabaracci
personally appeared before me, who being by me duly sworn did say that he/she is the VP
Finance of Interpace Industries, Inc. and duly
acknowledged that said instrument was signed on behalf of said company by authority of its
bylaws or a resolution of its board of directors and said Charles C. Tabaracci
duly acknowledged to me that said company executed the same.

[Signature]
Notary Public
Residing at Weber County, Ogden, Utah
12/1/03
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

August 16, 2002
Date

STATE OF Utah)
COUNTY OF Salt Lake) §S:

On the 16 day of August, 2002, Lowell P. Braxton
personally appeared before me, who being duly sworn did say that ~~he~~ she, the said
Lowell P. Braxton is the ~~Associate~~ Director of the
Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she
duly acknowledged to me that ~~he~~ she executed the foregoing document by authority of law on
behalf of the State of Utah.

Julie Carter
Notary Public
Residing at: Salt Lake

April 26, 2006
My Commission Expires:



ATTACHMENT "A"

Interpace Industries, Inc

Operator

Henefer Red Clay

Mine Name

M/043/014

Permit Number

Summit

County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands disturbed is:

Mining Area - Placer mining claims 17 & 18 in the S 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of section 34 T4N R4E SLBM

Stockpile Pad - N 1/2 of SE 1/4 of section 33 T4N R4E SLBM